



## ***Future Plans/Objectives***

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### Program Improvements

- **Medicare Modernization Act (MMA)** Beginning in November 2005, qualified railroad retirement beneficiaries (QRRB's) were able to enroll in prescription drug plans (PDP) under Medicare Part D. Benefits under Part D were available beginning January 1, 2006. Low income beneficiaries are eligible for extra help in paying for monthly premiums, deductibles and co-payments under Part D. SSA is responsible for determining eligibility for low-income Part D subsidies.

The RRB is working with the Centers for Medicare & Medicaid Services (CMS) and SSA to implement Medicare Part D and other provisions of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, also known as the Medicare Modernization Act. However, we have not yet completed work on automated systems changes that will allow beneficiaries to have Part D premiums withheld from the monthly benefits paid by the RRB. (Railroad retirement beneficiaries who have monthly Part D premiums pay their premiums by direct bill arrangements with their plans.) Work on the system changes to allow Part D premium withholding was temporarily suspended while we focused available resources on implementing the provision of MMA that requires beneficiaries with annual incomes over \$80,000 (\$160,000 for couples) to pay higher Part B premiums beginning January 2007.

We advised CMS in January 2007 that we were ready to resume work with them on the data exchange needed to support Part D premium withholding from RRB benefits. In June 2007, we provided CMS proposed processing rules and record layouts for the data exchange. We expect to work with CMS through fiscal year 2008 on this project, with possible implementation coming in January 2009.

- **Nationwide Toll-Free Service and RRB HelpLine Improvements** The agency awarded a contract in fiscal year 2007 for a managed nationwide toll-free telephone service to provide a single toll-free number, automatic call distribution, and interactive voice response (IVR) functionality. The toll-free number will provide a single access point to claims representatives in the agency's field service offices and to IVR services.

The design of the national toll-free service will support all of the existing self-service options and features of the current RRB HelpLine, and facilitate a number of enhancements, including changes to the process for verifying the identity of callers by either using the same PIN/password system developed for the RRB's Internet MainLine services or a similar PIN/password system. Callers will also have the option to establish, change, and request new passwords. These enhancements will provide a higher level of system security, and allow for expansion of services into other areas.

- **Internet Unemployment and Sickness Insurance Benefit Services** In 2004, the RRB made applications and claims for unemployment insurance benefits available on-line at [www.rrb.gov](http://www.rrb.gov). In calendar year 2005, the RRB completed a project to automate the processing of unemployment insurance benefit claims that pass mechanical screening for eligibility. In 2005, the RRB also implemented a service enabling unemployment and sickness insurance beneficiaries to view their account statement on-line. The account statement lists recent forms filed and unemployment and sickness insurance benefit

payments. In 2008, the RRB plans to implement on-line biweekly claims for sickness insurance benefits.

- **Palmetto GBA Secure Change of Addresses and Death Notifications** Palmetto GBA, the RRB's Part B Medicare carrier, receives several thousand calls each month from railroad retirement beneficiaries who are either reporting an address change or death of another beneficiary, or requesting a replacement Medicare card. Palmetto receives these calls because of their regular communication with beneficiaries who file claims for payment of Part B medical services. Under current procedure, Palmetto must refer many of these callers to the RRB. The referral is an extra call for the beneficiary, and is a step that many beneficiaries fail to take.

We are now working with Palmetto to develop a secure web-based application that will enable authorized Palmetto customer service representatives to report address changes, deaths and requests for replacement Medicare cards directly to the RRB over the Internet. The application, which is targeted for completion in late 2007, will also allow RRB personnel to view the transactions in order to process the reports through existing RRB systems.

- **Employer Reporting System (ERS) – Internet Site** In fiscal year 2007, the current ERS Forms BA-4, BA-6a and GL-129a were revised to access the DB-2 database. In fiscal year 2008, they will also be modified to accommodate earnings above \$100,000. These expanded fields are part of the mandatory database expansion that will become effective in January 2008.

In fiscal year 2008, using a staff augmentation contract, we plan to begin the process of converting the software from SAS-based technologies to .Net and DB2-Connect, using internal resources. This will allow for reduced costs of future application development in a more user friendly environment. Following that conversion, we will resume our efforts to add the pre and post-payment notices. The ID-4K, pre-payment notice informs the employer of an employee's application or claim for benefits; and the ID-4E post-payment notice informs the employer of the amount of benefits the RRB paid to the employee.

During fiscal year 2008, we will also continue to move forward with the plan to add a major application which consolidates and integrates 13 forms. The application includes the three annual reports – creditable compensation, gross earnings, and sick pay – as well as several related forms. This project will also incorporate changes the RRB is making to expand money amount fields on the service and compensation reports.

- **RRBVision** The RRB has a Windows-based web communications system called MediaSite Live that allows users to view video (RRBVision) presentations with accompanying training materials, such as PowerPoint presentations or on-line screens. Presentations can be viewed in real-time or saved to the server for later viewing. In fiscal year 2007, we awarded a contract to host RRBVision on the Internet. This will allow the agency to make presentations and training available to covered railroad employers and the general public via a link from the RRB's website ([www.rrb.gov](http://www.rrb.gov)). The agency will implement the new service in fiscal year 2008.

### Improper Payments Information Act (IPIA)

During fiscal year 2007, the RRB calculated the amount of improper payments made in fiscal year 2006 for each of the two programs it administers: Retirement and Survivor Benefits and Railroad Unemployment Insurance Benefits. This review determined that neither of the RRB's benefit payment programs exceeds the OMB threshold for improper payments and, therefore, the agency is not required to prepare and monitor a formal action plan for reducing or eliminating improper payments. The IPIA has, however, continued to have a significant impact on the agency by ensuring a continued high priority for ongoing activities and initiatives designed to improve overall payment accuracy and to reduce specific categories of improper payments. See the IPIA Reporting Details, located in the *Other Accompanying Information* section, for additional information on these efforts.

### Systems and Controls

The RRB continually evaluates the effectiveness and efficiency of its operations using ongoing assessments and reviews of management controls, internal and external audits, quality control and assurance reviews, program integrity activities, and customer satisfaction surveys.

Under the direction of a Management Control Review Committee (MCRC) composed of senior managers from its program, information services, administrative, and financial operations, the RRB has divided these operations functionally into 42 assessable units. The number of assessable units can vary from year to year as operations are restructured to accommodate changes precipitated by such factors as new and revised missions, reduced resources, and increased automation.

The mission, key performance indicators, workflow, control objectives and techniques, guidance, automated systems support, impact, and vulnerability of each assessable unit are documented. The RRB maintains and annually updates a 5-year plan for review of the assessable units. The official responsible for each assessable unit prepares an annual assessment of key indicators and open or new issues requiring management's attention. High impact and vulnerable assessable units are scheduled for more frequent, in-depth reviews as deemed necessary by the MCRC in consultation with senior management. During fiscal year 2007, responsible officials performed in-depth reviews of 10 assessable units, assessed all 42, and certified 41.

In fiscal year 2007, two control weaknesses regarding performance measurement and the actuarial projection process—formal policies were corrected and are no longer classified as material weaknesses.

The RRB reported a material weakness relating to deficiencies in Information Technology Security in fiscal year 2002; the remaining action needed to close out the deficiencies is implementation of access control recommendations.

In fiscal year 2005, the OIG identified Information Technology Security as a significant deficiency, which it reported as a material weakness in the fiscal year 2005 Performance and Accountability Report. This included two new deficiencies in meeting FISMA requirements for risk assessments, and testing and evaluation.

In fiscal year 2007, the OIG identified a significant deficiency in the actuarial projection process for lack of a consistent theory for preparing the fund balance and lack of complete reliable information about the NRRIT's financial position as of the social insurance valuation date.

The agency is committed to resolving these deficiencies. Responsible Official and Organization Head certifications for fiscal year 2007 include information about actions underway to address each of these. We will continue to monitor progress during fiscal year 2008.

## **Management Assurances**

The Railroad Retirement Board states and assures that to the best of our knowledge:

1. In accordance with Office of Management and Budget Circular No. A-123, Section VI (B), we are issuing a qualified statement of assurance considering the OIG-identified material weaknesses indicated under paragraph (4). Except as indicated under (4), the system of internal control of this agency is functioning and provides reasonable assurance as to the: efficiency and effectiveness of programs and operations; reliability of financial and performance information; and compliance with laws and regulations. These controls satisfy the requirements of the Federal Managers' Financial Integrity Act §2.
2. The financial management systems of this agency maintain accountability for assets and provide reasonable assurance that obligations and costs are in compliance with applicable law, and that performance data and proprietary and budgetary accounting transactions applicable to the agency are properly recorded and accounted for to permit the timely preparation of accounts and reliable performance information. The financial management systems at this agency satisfy the requirements of the Federal Managers' Financial Integrity Act §4.
3. The financial management systems of this agency provide the agency with reliable, timely, complete, and consistent performance and other financial information to make decisions and efficiently operate and evaluate programs and substantially satisfy the requirements of the Government Performance and Results Act and OMB Circular No. A-11.
4. The RRB's Inspector General, in his auditor's report, identifies Information Technology Security and Actuarial Projection Process—Fund Balance, as material weaknesses. Previously reported material weaknesses in Performance Reporting and in Actuarial Projection Process—Formal Policies have been addressed and closed out in fiscal year 2007.

## **Description of OIG-Identified Material Weaknesses**

1. Information technology security at the RRB is weakened by deficiencies in risk assessment, testing and evaluation, and access controls in both the general support and major application systems.

In fiscal year 2008, the plan is to resolve the remaining audit recommendations. We will then evaluate the Information Technology Security material weakness to determine whether it has been eliminated.

2. The actuarial projection process is weakened by the lack of a consistent theory for preparing the fund balance and the lack of complete, reliable information about the NRRIT's financial position as of the social insurance valuation date.

The Bureau of the Actuary will work with the Bureau of Fiscal Operations and the NRRIT to obtain more complete, reliable information about the NRRIT's financial position in order to have a consistent theory for preparing the fund balance.

Original signed by:

Michael S. Schwartz, Chairman  
V. M. Speakman, Jr., Labor Member  
Jerome F. Kever, Management Member



### Summary of Actuarial Forecast

The Statement of Social Insurance presents an actuarial analysis of the financial position of the railroad retirement system as of January 1, 2007. Our intermediate employment assumption is used for the Statement of Social Insurance. The Required Supplementary Information presents sensitivity analyses showing the impact of changes in employment and investment return assumptions. Although under our intermediate assumption no cash flow problems arise over the period 2007-2081, the sensitivity analyses show that, under the current financing structure, actual levels of railroad employment and investment return over the coming years will determine whether additional corrective action is necessary.

Section 7105 of the Technical and Miscellaneous Revenue Act of 1988 requires the RRB to submit an annual report to the Congress on the financial status of the railroad unemployment insurance system. Projections were made for the various components of income and outgo under each of 3 employment assumptions for the 11 fiscal years 2007-2017. The results indicate that the Railroad Unemployment Insurance (RUI) Account will be solvent during the 11-year projection period.

### Limitations of the Financial Statements

The limitations of the principal financial statements are as follows:

1. The principal financial statements have been prepared to report the financial position and results of operations of the entity, pursuant to the requirements of 31 U.S.C. 3515(b).
2. While the statements have been prepared from the books and records of the entity in accordance with U.S. generally accepted accounting principles for Federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.
3. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.